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GREENUP COUNTY SCHOOL DISTRICT

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2005**

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Greenup County School District
Greenup, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Greenup County School District (the "District"), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the management of the Greenup County School District. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract - General Audit Requirements and Appendix II to the Independent Auditor's Contract - State Audit Requirements, and Appendix III to the Independent Auditor's Contract - Electronic Submission*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Greenup County School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2005, on our consideration of Greenup County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 6 through 9 is not a required part of the basic financial statements but is supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Greenup County School District basic financial statements. The combining and individual non-major fund financial statements and other information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the schedule of expenditures of federal awards contained on page 42 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Greenup County School District. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

August 11, 2005

**GREENUP COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2005**

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As management of the Greenup County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information found within the body of this report.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$_____.
- The Board issued bonds in fiscal 2004. McKell Elementary was selected for a construction and renovation project that commenced in August, 2003 and is expected to be complete in August, 2004. The project is estimated to cost \$4,274,565 which includes \$3,731,000 for construction costs, \$242,515 for architect/engineer fees, \$61,000 for bond discount, \$25,000 for fiscal agent fees, \$186,550 for contingencies, and \$28,500 for QZAB, bank-rating fees.
- Due to the decline in market rates of interest, interest income decreased \$_____, or _____%.
- During fiscal 2005, the District felt little impact of the declining economy other than the reduction in interest income. However, we feel that with the economy as it is, state and nationwide, the District could see a financial impact in the near future in funding from primary state and federal sources.
- The General Fund had \$_____ in revenues, which primarily consisted of the state program (SEEK), property taxes, local occupational license taxes, utilities taxes, and motor vehicle taxes. Excluding inter-fund transfers, there was \$_____ in General Fund expenditures. On-behalf payments of \$_____ are included in revenues and expenditures.
- Bonds are issued as the District renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The District's total debt increased by \$_____ during the current fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of facilities, student transportation, and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on pages 10-11 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The state has mandated a uniform system (MUNIS administrative software) and chart of accounts for all Kentucky public school districts. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental or proprietary funds. The District's only proprietary fund is food service operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 12-21 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 22-34 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$_____ as of June 30, 2005.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment, and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Assets for the periods ending June 30, 2005 and 2004

Current Assets	\$	\$ 7,780,976
Noncurrent Assets		28,411,485
Total Assets	<u>\$</u>	<u>\$ 36,192,461</u>
Current Liabilities	\$	\$ 2,806,961

Long-Term Liabilities
Total Liabilities
Total Net Assets

	20,528,504
	<u>23,335,465</u>
\$	<u>\$ 12,856,996</u>

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Comments on Budget Comparisons

- The District's total revenues for the fiscal year ended June 30, 2005, net of inter-fund transfers, were \$_____.
- General fund budget compared to actual revenue, net of on-behalf payments of \$_____, varied slightly from line item to line item with the ending actual balance being \$_____ more than budget, or approximately _____%.

The following table presents a summary of the General Fund's revenues and expenses for the fiscal years ending:

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Revenues:		
Local revenue sources	\$	\$ 3,790,241
State revenue sources		14,793,183
Other Sources		<u>1,200</u>
Total revenues		<u>18,584,624</u>
Expenses:		
Instruction		10,147,616
Student Support Services		956,028
Instructional Support		697,938
District Administration		1,029,345
School Administration		1,260,830
Business Support		495,563
Plant Operations		2,357,601
Student Transportation		1,197,575
Food Service Operations	-	132,491
Community Services		47,439
Noninstructional Services		31,166
Other		<u>275,757</u>
Total expenses		<u>18,629,349</u>
Excess (Deficiency) of Revenues Over (Under) Expenses	<u>\$</u>	<u>\$ (44,725)</u>

General Fund Revenue

The majority of revenue was derived from local taxes of _____%, and state funding of _____%.

Budget Allocation

Site Based Decision Making Councils expended \$_____ of the general fund budget. The remaining ____% was expended through central support services.

School Allocation

Instructional accounts were _____% of the school level expenditures.

Central Office Allocation

Central support services expenditures were District Administration _____%,
Administration _____%, Transportation _____%, Maintenance and Operations _____%, School Business

Functions ____% and other __%.

FUTURE BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1 - June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the District overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with \$_____ in contingency (____%). The cash balance for beginning the fiscal year is \$_____. Significant Board action that impacts the finances include a 2% pay raise for all employees and approval to assist the schools in several areas related to instruction of the students in the amount of \$_____. The Board is also constantly looking to upgrade facilities in the District as funds become available.

Questions regarding this report should be directed to the Superintendent (606) 473-9819 or to the Finance Director (606) 473-9810 or by mail at 45 Musketeer Drive, Greenup, KY 41144.

GREENUP COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

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	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 5,719,674	\$ 10,617	\$ 5,730,291
Receivables (net of allowances for uncollectibles):			
Property taxes	45,048	-	45,048
Other	7,684	-	7,684
Intergovernmental - state	1,043	-	1,043
Intergovernmental - federal	559,228	19,665	578,893
Inventories	-	28,169	28,169
Bond issue costs, net of amortization	57,175	-	57,175
Capital assets, not being depreciated	136,284	-	136,284
Capital assets, being depreciated, net	28,594,538	297,241	28,891,779
Total assets	<u>35,120,674</u>	<u>355,692</u>	<u>35,476,366</u>
Liabilities			
Accounts payable	108,461	18,188	126,649
Deferred revenue	370,648	-	370,648
Accrued salaries	52,281		
Interest payable	203,633	-	203,633
Noncurrent liabilities:			
Portion due or payable within one year:			
Debt obligations	1,624,669	-	1,624,669
Accrued sick leave	372,791	-	372,791
Portion due or payable after one year:			
Debt obligations	17,953,054	-	17,953,054
Accrued sick leave	869,845	-	869,845
Total liabilities	<u>21,555,382</u>	<u>18,188</u>	<u>21,521,289</u>
Net Assets			
Invested in capital assets, net of related debt	9,153,099	297,241	9,450,340
Unrestricted	4,412,193	40,263	4,452,456
Total net assets	<u>\$ 13,565,292</u>	<u>\$ 337,504</u>	<u>\$ 13,955,077</u>

The accompanying notes to financial statements are an integral part of this statement.

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GREENUP COUNTY SCHOOL DISTRICT STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2005

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
Instruction	\$ 15,018,800	\$ -	\$ 2,765,139	-	\$ (12,253,661)	\$ -	\$ (12,253,661)
Support services:							
Students	1,031,343	-	61,355	-	(969,988)	-	(969,988)
Instructional staff	1,039,243	-	174,517	-	(864,726)	-	(864,726)
District administration	863,968	-	-	-	(863,968)	-	(863,968)
School administration	1,363,036	-	-	-	(1,363,036)	-	(1,363,036)
Business and other support services	388,951	-	-	-	(388,951)	-	(388,951)
Operation and maintenance of plant	370,842	-	-	-	(370,842)	-	(370,842)
Student transportation	1,386,181	-	18	-	(1,386,163)	-	(1,386,163)
Community services	366,743	-	328,919	-	(37,824)	-	(37,824)
Food service operations	-	-	-	-	-	-	-
Operation of noninstructional services	4,100	-	-	-	(4,100)	-	(4,100)
Facilities acquisition and construction	1,217,406	-	-	-	(1,217,406)	-	(1,217,406)
Debt service	3,558,456	-	-	4,655,105	1,096,649	-	1,096,649
Total governmental activities	26,609,069	-	3,329,948	4,655,105	(18,624,016)	-	(18,624,016)
Business-type activities:							
Food service	1,470,101	543,865	962,382	69,933	-	106,079	106,079
Total business-type activities	1,470,101	543,865	962,382	69,933	-	106,079	106,079
Total primary government	\$ 28,079,170	\$ 543,865	\$ 4,292,330	\$ 4,725,038	\$ (18,624,016)	\$ 106,079	\$ (18,517,937)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					\$ 3,643,937	\$ -	\$ 3,643,937
Motor vehicle					431,583	-	431,583
Intergovernmental revenues:							
State					15,216,565	-	15,216,565
Investment earnings					119,158	21,276	140,434
Gain (Loss) on disposal of capital assets					10,163	-	10,163
Other local revenues					121,055	-	121,055
Total general revenues and transfers					19,542,461	21,276	19,563,737
Change in net assets					918,445	127,355	1,045,800
Net assets, June 30, 2004					12,646,847	210,149	12,041,719
Net assets, June 30, 2005					\$ 13,565,292	\$ 337,504	\$ 13,087,519

The accompanying notes to financial statements are an integral part of this statement.

**GREENUP COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

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	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 5,077,405	\$ (147,004)	\$ 789,273	\$ 5,719,674
Receivables (net of allowances for uncollectibles):				
Property taxes	45,048	-	-	45,048
Other	7,684	-	-	7,684
Intergovernmental - state	-	1,043	-	1,043
Intergovernmental - federal	-	559,228	-	559,228
Total assets	<u>\$ 5,130,137</u>	<u>\$ 413,267</u>	<u>\$ 789,273</u>	<u>\$ 6,332,677</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 65,842	\$ 42,619	\$ -	\$ 108,461
Accrued salaries & benefits	\$ 52,281			52,281
Accrued sick leave	372,791	-	-	372,791
Deferred revenue	-	370,648	-	370,648
Total liabilities	<u>490,914</u>	<u>413,267</u>	<u>-</u>	<u>904,181</u>
Fund balances:				
Reserved for accrued sick leave	372,791	-	-	372,791
Unreserved -				
Designated for capital expenditures	-	-	245,447	245,447
Undesignated	4,266,432	-	543,826	4,810,258
Total fund balances	<u>4,639,223</u>	<u>-</u>	<u>789,273</u>	<u>5,428,496</u>
Total liabilities and fund balances	<u>\$ 5,130,137</u>	<u>\$ 413,267</u>	<u>\$ 789,273</u>	<u>\$ 6,332,677</u>

The accompanying notes to financial statements are an integral part of this statement.

GREENUP COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

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Fund balances—total governmental funds	\$ 5,428,496
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Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	28,730,822
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Certain other assets and liabilities are not available to pay current period expenditures and therefore are not reported in this fund.	(146,458)
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Some liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	<u>(20,447,568)</u>
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Net assets of governmental activities	<u><u>\$ 13,565,292</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

GREENUP COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

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	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Taxes -				
Property	\$ 3,299,952	\$ -	\$ 343,985	\$ 3,643,937
Motor vehicles	431,583	-	-	431,583
Interest income	60,457	7,033	51,668	119,158
Other local revenues	121,055	14,929	-	135,984
Intergovernmental - State	15,216,565	1,005,307	4,655,105	20,876,977
Intergovernmental - Indirect federal	-	2,265,045	-	2,265,045
Intergovernmental - Direct federal	-	44,667	-	44,667
Total revenues	<u>19,129,612</u>	<u>3,336,981</u>	<u>5,050,758</u>	<u>27,517,351</u>
Expenditures:				
Current:				
Instruction	11,270,401	2,810,512	-	14,080,913
Support services:				
Students	969,739	61,355	-	1,031,094
Instructional staff	864,726	174,517	-	1,039,243
District administration	896,990	-	-	896,990
School administration	1,344,231	-	-	1,344,231
Business and other support services	384,375	-	-	384,375
Operation and maintenance of plant	2,083,529	-	-	2,083,529
Student transportation	1,217,213	18	-	1,217,231
Community services	37,824	328,919	-	366,743
Food service operation	-	-	-	-
Operation of noninstructional services	-	-	-	-
Facility acquisition and construction	-	-	1,217,406	1,217,406
Debt service	282,450	-	4,845,073	5,127,523
Total expenditures	<u>19,351,478</u>	<u>3,375,321</u>	<u>6,062,479</u>	<u>28,789,278</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(221,866)</u>	<u>(38,340)</u>	<u>(1,011,721)</u>	<u>(1,271,927)</u>
Other financing sources (uses):				
Gain on sale of equipment	10,884	-	-	10,884
Bond proceeds	-	-	-	-
Transfers in	-	38,340	943,263	981,603
Transfers out	(38,340)	-	(943,263)	(981,603)
Total other financing sources and uses	<u>(27,456)</u>	<u>38,340</u>	<u>-</u>	<u>10,884</u>
Net change in fund balances	(249,322)	-	(1,011,721)	(1,261,043)
Fund balances, June 30, 2004	<u>4,888,545</u>	<u>-</u>	<u>1,800,994</u>	<u>6,689,539</u>
Fund balances, June 30, 2005	<u>\$ 4,639,223</u>	<u>\$ -</u>	<u>\$ 789,273</u>	<u>\$ 5,428,496</u>

The accompanying notes to financial statements are an integral part of this statement.

**GREENUP COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005**

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Net change in fund balances—total governmental funds \$ (1,261,043)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	1,733,333	
Depreciation expense	<u>(1,203,127)</u>	530,206

Losses on disposal of capital assets are not recognized in the fund financial statements. However, in the statement of activities, these losses are recognized. (721)

Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred for the following:

Long-term portion of accrued sick leave		80,936
Interest payable		8,720
Bond issue costs, net of amortization		(7,983)

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements, but are reductions of liabilities in the statement of net assets. 1,568,330

Change in net assets of governmental activities \$ 918,445

The accompanying notes to financial statements are an integral part of this statement.

GREENUP COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

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	<u>Food Service Fund</u>
Assets	
Current assets:	
Cash	\$ 10,617
Receivables (net of allowances for uncollectibles)	
Intergovernmental - federal	19,665
Inventories	28,169
Total current assets	<u>58,451</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>297,241</u>
Total noncurrent assets	<u>297,241</u>
 Total assets	 <u><u>\$ 355,692</u></u>
Liabilities	
Current liabilities:	
Accounts payable	<u>\$ 18,188</u>
Total current liabilities	<u>18,188</u>
Total liabilities	<u>18,188</u>
Net Assets	
Unrestricted	<u>337,504</u>
	<u>337,504</u>
Total net assets	<u><u>\$ 355,692</u></u>

The accompanying notes to financial statements are an integral part of this statement.

GREENUP COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

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	<u>Food</u> <u>Service</u> <u>Fund</u>
Operating revenues:	
Lunchroom sales	\$ 542,802
Other operating revenues	1,063
Total operating revenues	<u>543,865</u>
Operating expenses:	
Salaries and wages	503,132
Employee benefits	155,291
Materials and supplies	721,261
Depreciation	59,403
Other operating expenses	31,014
Total operating expenses	<u>1,470,101</u>
Operating loss	<u>(926,236)</u>
Nonoperating revenues:	
Federal grants	861,745
Investment income	21,276
Donated commodities	69,933
State grants	18,594
On-behalf payments	82,043
Total nonoperating revenue	<u>1,053,591</u>
Decrease in net assets	127,355
Net assets, June 30, 2004	<u>210,149</u>
Net assets, June 30, 2005	<u><u>\$ 337,504</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**GREENUP COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

DRAFT
Discussion Purposes Only

	<u>Food Service Fund</u>
Cash flows from operating activities:	
Cash received from:	
Lunchroom sales	\$ 542,802
Other receipts	1,063
Cash paid to/for:	
Payments to suppliers and providers of goods and services	(644,427)
Payments to employees	(576,380)
Other payments	(31,014)
Net cash used for operating activities	<u>(707,956)</u>
Cash flows from noncapital financing activities:	
Government grants	<u>961,469</u>
Net cash provided by noncapital and related financing activities	<u>961,469</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	<u>(146,496)</u>
Net cash used for capital and related financing activities	<u>(146,496)</u>
Cash flows from investing activities:	
Interest received on investments	<u>21,276</u>
Net cash provided by investing activities	<u>21,276</u>
Net decrease in cash and cash equivalents	128,293
Cash overdraft, June 30, 2004	<u>(117,676)</u>
Cash and cash equivalents, June 30, 2005	<u>\$ 10,617</u>
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (926,236)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	59,403
Donated commodities	69,933
Employee benefits paid by KDE	82,043
Change in assets and liabilities:	
Inventory	3,629
Accounts payable	<u>3,272</u>
Net cash used for operating activities	<u>\$ (707,956)</u>
Non-cash items:	
Employee benefits paid by KDE	<u>\$ 82,043</u>
Donated commodities	<u>\$ 69,933</u>

The accompanying notes to financial statements are an integral part of this statement.

**GREENUP COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005**

DRAFT
Discussion Purposes Only

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 142,552
Accounts receivable	<u>2,774</u>
Total assets	<u><u>\$ 145,326</u></u>
 Liabilities	
Accounts payable	\$ 6,537
Due to students	<u>138,789</u>
Total liabilities	<u><u>145,326</u></u>
 Net assets held in trust	 <u><u>\$ -</u></u>

The accompanying notes to financial statements are an integral part of this statement.

GREENUP COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

DRAFT
Discussion Purposes Only

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues:				
Taxes -				
Property	\$ 2,747,500	\$ 2,747,500	\$ 3,299,952	\$ 552,452
Motor vehicles	350,000	350,000	431,583	81,583
Interest income	50,000	50,000	60,457	10,457
Other local revenues	10,500	10,500	121,055	110,555
Intergovernmental - State	11,489,000	11,515,311	11,659,494	144,183
Total revenues	<u>14,647,000</u>	<u>14,673,311</u>	<u>15,572,541</u>	<u>899,230</u>
Expenditures:				
Current:				
Instruction	8,446,266	8,299,839	8,308,145	(8,306)
Support services:				
Students	870,474	957,153	969,739	(12,586)
Instructional staff	681,207	738,514	721,150	17,364
General administration	1,377,921	1,376,401	876,479	499,922
School administration	1,080,289	1,159,194	1,183,402	(24,208)
Business and other support services	443,332	412,012	363,864	48,148
Operation and maintenance of plant	2,855,436	2,824,868	1,957,206	867,662
Student transportation	1,408,626	1,165,583	1,094,148	71,435
Community services	44,600	44,600	37,824	6,776
Food service operations	-	-	-	-
Operation of noninstructional services	-	-	-	-
Debt service	-	270,000	282,450	(12,450)
Contingency	2,113,849	2,212,981	-	2,212,981
Total expenditures	<u>19,322,000</u>	<u>19,461,145</u>	<u>15,794,407</u>	<u>3,666,738</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,675,000)</u>	<u>(4,787,834)</u>	<u>(221,866)</u>	<u>4,565,968</u>
Other financing sources (uses):				
Gain on sale of equipment	-	-	10,884	10,884
Transfers in	-	-	-	-
Transfers out	(75,000)	(75,000)	(38,340)	36,660
Total other financing sources and uses	<u>(75,000)</u>	<u>(75,000)</u>	<u>(27,456)</u>	<u>47,544</u>
Net change in fund balance	(4,750,000)	(4,862,834)	(249,322)	4,613,512
Fund balance, June 30, 2004	<u>4,750,000</u>	<u>4,862,834</u>	<u>4,888,545</u>	<u>25,711</u>
Fund balance, June 30, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,639,223</u>	<u>\$ 4,639,223</u>
Adjustments to Generally Accepted Accounting Principles -				
Intergovernmental State Revenue			\$ 3,557,071	
On-behalf payments:				
Instruction			(2,962,256)	
Support services:				
Instructional staff			(143,576)	
General administration			(20,511)	
School administration			(160,829)	
Business and other support services			(20,511)	
Operation and maintenance of plant			(126,323)	
Student transportation			(123,065)	
Fund balance, June 30, 2005 (GAAP basis)			<u>\$ 4,639,223</u>	

The accompanying notes to financial statements are an integral part of this statement.

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GREENUP COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues:				
Interest income	\$ -	\$ -	\$ 7,033	\$ 7,033
Other local revenues	-	-	14,929	14,929
Intergovernmental - State	1,061,907	864,158	1,005,307	141,149
Intergovernmental - Indirect federal	1,828,497	2,130,409	2,265,045	134,636
Intergovernmental - Direct federal	37,992	37,992	44,667	6,675
Total revenues	<u>2,928,396</u>	<u>3,032,559</u>	<u>3,336,981</u>	<u>304,422</u>
Expenditures:				
Current:				
Instruction	2,303,219	2,377,589	2,810,512	(432,923)
Support services:				
Students	100,622	69,487	61,355	8,132
Instructional staff	240,558	322,384	174,517	147,867
General administration	12,980	-	-	0
School administration	-	-	-	-
Business and other support services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	3,179	-	18	(18)
Community services	342,838	338,099	328,919	9,180
Total expenditures	<u>3,003,396</u>	<u>3,107,559</u>	<u>3,375,321</u>	<u>(267,762)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(75,000)</u>	<u>(75,000)</u>	<u>(38,340)</u>	<u>36,660</u>
Other financing sources (uses):				
Transfers in	75,000	75,000	38,340	(36,660)
Transfers out	-	-	-	-
Total other financing sources and uses	<u>75,000</u>	<u>75,000</u>	<u>38,340</u>	<u>(36,660)</u>
Net change in fund balance	-	-	-	-
Fund balance, June 30, 2004	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to financial statements are an integral part of this statement.

GREENUP COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2005

DRAFT
Discussion Purposes Only

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Greenup County Board of Education ("Board"), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the Greenup County School District ("District"). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Greenup County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements. Copies of component unit reports may be obtained from the District's Finance Office at 8000 US 23 North, Greenup, Kentucky 41144.

Greenup County School District Finance Corporation - On September 27, 1993 the Greenup County, Kentucky, Board of Education resolved to authorize the establishment of the Greenup County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Greenup County Board of Education also comprise the Corporation's Board of Directors.

B. Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide Statements - provide information about the primary government (the District). The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall government and business-type activities of the District. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).

I The Support Education Excellence in Kentucky (SEEK) Capital Outlay fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.

II. The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.

III. The Construction Fund includes Capital Projects Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

(D) Debt Service Funds are used to account for the accumulation of resources for, and payment of, general long-term debt principal and interest and related costs; and, for the payment of interest on general obligation notes payable, as required by Kentucky law.

II. Proprietary Fund Type (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contributions of commodities from the USDA. The Food Service Fund is a major fund.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (includes agency and trust funds)

The Activity Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the *Uniform Program of Accounting for School Activity Funds*.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the school year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

D. Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end and reappropriated in the next year. A reservation of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2005. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements related to encumbrance accounting.

E. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective fund. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras, and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

Description	Governmental Activities Estimated Lives
Buildings and improvements	25-50 years
Infrastructure	20 years
Technology equipment	5 years
Machinery and equipment	5-10 years
Vehicles	5-10 years
Food service equipment	10-12 years

F. Interfund Activity

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

G. Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

H. Inventories

Supplies and materials are charged to expenditures when purchased with the exception of the Proprietary Funds, which records inventory at cost, on the first-in, first-out basis, using the accrual basis of accounting.

I. Deferred Revenue

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as deferred revenue until earned.

Property tax revenues and other governmental fund financial resource increments (i.e., bond issue proceeds) are recognized in the accounting period in which they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the fiscal period.

J. Budget

The District is required by state law to adopt annual budgets for the general fund, special revenue fund, capital outlay fund and the food service fund. The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major difference between the budgetary basis and the GAAP basis is that on-behalf payments made by the state for the District are not budgeted. See note (14) for these amounts which were not known by the District at the time the budget was adopted.

K. Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business property located in the District. The assessed value of property upon which the levy for the 2005 fiscal year was based was \$592,558,393.

The tax rates assessed for the year ended June 30, 2005 to finance general fund operations were \$.608 on real estate and \$.494 on motor vehicles, per \$100 valuation.

Taxes are due on October 1 and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2005 were approximately 99% of the tax levy.

I. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, all payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

M. Fund Balance Reserves

The District reserves those portions of fund balances which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion, which is available for appropriation in future periods. Fund balances reserves have been established for encumbrances, and accrued sick leave. Unreserved fund balances are composed of designated and undesignated portions. The undesignated portion of the unreserved fund balance represents that portion of fund balance that is available for budgeting in future periods. Designated fund balances represent tentative plans for future use of financial resources.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

P. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

(2) ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(3) CASH AND CASH EQUIVALENTS

The funds of the District must be deposited and invested under the terms of a contract. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At June 30, 2005, the carrying amount of the District's cash and cash equivalents was \$5,872,843 and the bank balances were \$6,554,091. Of the total cash balance, \$200,000 was covered by Federal Depository insurance, with the remainder covered by a collateral agreement and collateral held by the pledging banks' trust departments in the district's name.

(4) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

Governmental Activities	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2005
Land	\$ 136,284	\$ -	\$ -	\$ 136,284
Buildings and improvements	31,309,991	3,789,939	(56,891)	35,043,039
Infrastructure	302,238	-	-	302,238
Technology equipment	2,195,812	299,112	-	2,494,924
Machinery and equipment	256,395	30,571	-	286,966
Vehicles	2,677,912	370,210	(381,161)	2,666,961
Construction in Progress	<u>2,756,499</u>		<u>(2,756,499)</u>	
Total at historical cost	<u>39,635,131</u>	<u>4,489,832</u>	<u>(3,194,551)</u>	<u>40,930,412</u>

Less: accumulated depreciation				
Buildings and Improvements	7,792,742	703,244	(56,170)	8,439,816
Infrastructure	2,037	15,062	-	17,099
Technology equipment	1,614,231	282,048	-	1,896,279
Machinery and equipment	105,263	19,893	-	125,156
Vehicles	<u>1,919,521</u>	<u>182,880</u>	<u>(381,161)</u>	<u>1,721,240</u>
Total accumulated Depreciation	<u>11,433,794</u>	<u>1,203,127</u>	<u>(437,331)</u>	<u>12,199,590</u>

Governmental Activities

Capital Assets - Net	<u>\$ 28,201,337</u>	<u>\$ 3,286,705</u>	<u>\$ (2,757,220)</u>	<u>\$ 28,730,822</u>
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Business-Type Activities

Food service Equipment	\$ 652,033	\$ 146,496	\$ -	\$ 798,529
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Less: accumulated depreciation	<u>441,885</u>	<u>59,403</u>	<u>-</u>	<u>501,288</u>
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Business-Type Activities

Capital assets - Net	<u>\$ 210,148</u>	<u>\$ 87,093</u>	<u>\$ -</u>	<u>\$ 297,241</u>
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Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 937,887
Student support	249
District administration	47,914
School administration	18,805
Business and other support services	4,576
Plant operation & maintenance	20,646
Student transportation	168,950
Operation of noninstructional services	<u>4,100</u>
	<u>\$ 1,203,127</u>

(5) DEBT OBLIGATIONS

The amount shown in the accompanying financial statements as debt obligations represents the Districts future obligations to make lease payments relating to the bonds issued by the Greenup County School District Financial Corporation and the Kentucky School Construction Commission aggregating \$24,445,000.

The original amount of each issue, the issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
1997	\$ 4,040,000	4.50-4.75%
1997B	3,120,000	4.00-4.70%
1998	3,055,000	3.90-5.00%
1998B	1,460,000	3.60-4.40%
2001	6,325,000	4.50-4.65%
2002	3,395,000	1.35-4.00%
2004	<u>3,050,000</u>	1.15-4.50%
	<u>\$ 24,445,000</u>	

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Greenup County School District Financial Corporation and the Kentucky School Construction Commission to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding. The proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

The changes in the general long-term debt for the year ended June 30, 2005, were as follows:

	Balance June 30, 2005	New Issues	Retirements	Balance June 30, 2005
General obligation bonds – \$24,445,000 originally issued with interest rates ranging from 1.15% to 5.00%	\$ 19,065,000	\$ -	\$ 1,355,000	\$ 17,710,000
KISTA Loans	2,081,053	-	213,330	1,867,723
Accumulated Sick Leave	1,267,708	-	25,072	1,242,636
Total	\$ 22,413,761	\$ -	\$ 1,593,402	\$ 20,820,359

The District has entered into “participation agreements” with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2005, for debt service (principal and interest) are as follows:

Year	Greenup County School District		Kentucky School Facilities Construction Commission		
	Principal	Interest	Principal	Interest	Total
2006	662,452	560,506	962,217	268,683	2,453,858
2007	676,971	535,249	1,002,451	228,476	2,443,147
2008	702,052	508,828	1,046,058	186,157	2,443,094
2009	704,019	475,140	745,460	140,778	2,065,397
2010	712,322	451,893	557,394	110,517	1,832,126
2011-2015	3,595,137	1,814,235	1,406,190	313,937	1,610,972
2016-2020	3,995,304	1,008,981	549,696	124,853	1,474,651
2021-2024	2,016,486	168,198	243,514	18,795	444,788
	\$ 13,064,743	\$ 5,523,030	\$ 6,512,980	\$ 1,392,196	\$ 26,492,949

On September 10, 2004, the District sold \$500,000 of Qualified Zone Academy Bonds (“QZAB”). QZAB’s are financing instruments that are used to finance renovations and repairs to schools, with the federal government providing the interest payment and the school district being responsible for the repayment of principal only. A school district must meet certain eligibility criteria to qualify for a QZAB bond issue. To be eligible, a school district must either be located in an Empowerment Zone or Enterprise Community, or, have at least 35% of the school’s students eligible for free or reduced lunches under the Federal National School Lunch Program.

Requirements of the QZAB program are as follows: The District must lease the school project through the maturity of September 10, 2019. The District elected to make a prepayment of rentals due thereunder in an amount, which when invested in accordance with the investment agreement, will produce the entire principal amount due on the bonds on or before the maturity date.

(6) ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accrued sick leave" in the general fund. The noncurrent portion of the liability is not reported in the fund financial statements.

(7) INTERFUND TRANSFERS

Interfund transfers at June 30, 2005, consisted of the following:

Type	From	To	Purpose	Amount
Operating	General	Special Revenue	Matching	\$ 38,340
Debt Service	Capital Projects	Debt Service	Bond Payments	841,229
Operating	General	Food Service	Fund Operations	1,713

(8) CAPITAL LEASE PAYABLE

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2005:

Year ending June 30:	
2006	283,107
2007	271,104
2008	272,744
2009	241,308
Thereafter	<u>1,198,612</u>
Total minimum lease payments	2,266,874
Less: Amount representing interest	<u>(399,151)</u>
Present value of net minimum lease payments	<u>\$ 1,867,723</u>

These capital leases are also included in the Debt Obligations footnote (5).

(9) RETIREMENT PLANS

Kentucky Teachers Retirement System:

Plan Descriptions - The Greenup County School District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees of the public school systems and other public educational agencies in Kentucky.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes statements and the required supplementary information for the defined benefit pension plan. That report may be obtained by writing to Kentucky Teachers Retirement System, 479 Versailles Rd., Frankfort, Kentucky 40601.

Funding Policy - Funding for KTRS is provided by eligible employees who contribute 9.855% of their salary through payroll deductions and by the Commonwealth of Kentucky through matching contributions at the rate of 13.105%. The contribution requirements of KTRS members and the District are established and may be amended by Kentucky Revised Statutes and the KTRS Board of Trustees. The federal program for any salaries paid by that program pays the matching contributions. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by the Kentucky Department of Education. Contributions to KTRS made on behalf of the District by the Commonwealth of Kentucky for the year ended June 30, 2005, were \$1,384,690 and the Board paid \$66,275 from federal grant monies to KTRS in matching contributions for federally funded employees for a total of \$1,450,965 paid to KTRS, equal to the required contribution for the year.

County Employee's Retirement System

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS), a cost sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly.

Funding for the plan is provided through payroll withholdings of 5.00% and a District contribution of 8.48% of the employee's total compensation subject to contribution. The District's contributions to CERS for the year ending June 30, 2005 were \$293,836 equal to the required contributions for the year.

The CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Rd., Frankfort, Kentucky, 40601, or by calling (502)-564-4646 or at their website at www.kyret.com.

(10) CONTINGENCIES

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantors review indicates that the funds have not been used for the intended purpose, the grantors' may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant program is predicted upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

The District is subject to certain legal proceedings arising from normal business activities. Administrative officials believe that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the accompanying financial statements.

(11) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance program for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(12) COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

(13) ON-BEHALF PAYMENTS

For fiscal year 2005, the Commonwealth of Kentucky contributed payments on behalf of the Greenup County School District as follows:

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System	\$ 1,384,690
Health & Life Insurance	2,051,082
Vocational	203,342
	<u>\$ 3,639,114</u>

These amounts are included the Government-Wide Statement of Activities as State Revenue and an expense allocated to the different functions in the same proportion as full-time employees.

SUPPLEMENTARY INFORMATION

**GREENUP COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005**

DRAFT
Discussion Purposes Only

	Capital Project Funds	Debt Service Funds	Total Non-Major Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 683,529	\$ 105,744	\$ 789,273
Accounts receivable	-	-	-
Total assets	<u>\$ 683,529</u>	<u>\$ 105,744</u>	<u>\$ 789,273</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Designated for capital expenditures	245,447	-	245,447
Unreserved	438,082	105,744	543,826
Total fund balance	<u>683,529</u>	<u>105,744</u>	<u>789,273</u>
Total liabilities and fund balances	<u>\$ 683,529</u>	<u>\$ 105,744</u>	<u>\$ 789,273</u>

**GREENUP COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

DRAFT
Discussion Purposes Only

	Capital Project Funds	Debt Service Funds	Total Non-Major Governmental Funds
REVENUES:			
From local sources -			
Property taxes	\$ 343,985	\$ -	\$ 343,985
Earnings on investments	47,757	3,911	51,668
Intergovernmental - State	754,746	3,900,359	4,655,105
Total revenues	<u>1,146,488</u>	<u>3,904,270</u>	<u>5,050,758</u>
EXPENDITURES:			
Current -			
Facility acquisition and construction	1,217,406	-	1,217,406
Debt service	-	4,845,073	4,845,073
Total expenditures	<u>1,217,406</u>	<u>4,845,073</u>	<u>6,062,479</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(70,918)</u>	<u>(940,803)</u>	<u>(1,011,721)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	943,263	943,263
Operating transfers out	(943,263)	-	(943,263)
Total other financing sources (uses)	<u>(943,263)</u>	<u>943,263</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(1,014,181)	2,460	(1,011,721)
FUND BALANCE JUNE 30, 2004	<u>1,697,710</u>	<u>103,284</u>	<u>1,800,994</u>
FUND BALANCE JUNE 30, 2005	<u>\$ 683,529</u>	<u>\$ 105,744</u>	<u>\$ 789,273</u>

**GREENUP COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2005**

DRAFT
Discussion Purposes Only

	FSPK Fund	SEEK Funds	Construction Fund	Total Non-major Capital Project Funds
ASSETS:				
Cash and cash equivalents	\$ 438,082	\$ -	\$ 245,447	\$ 683,529
Accounts receivable	-	-	-	-
Total assets	<u>\$ 438,082</u>	<u>\$ -</u>	<u>\$ 245,447</u>	<u>\$ 683,529</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Designated for capital expenditures	-	-	245,447	245,447
Unreserved	438,082	-	-	438,082
Total fund balance	<u>438,082</u>	<u>-</u>	<u>245,447</u>	<u>683,529</u>
Total liabilities and fund balances	<u>\$ 438,082</u>	<u>\$ -</u>	<u>\$ 245,447</u>	<u>\$ 683,529</u>

**GREENUP COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

DRAFT
Discussion Purposes Only

	FSPK Fund	SEEK Funds	Construction Fund	Total Non-major Capital Project Funds
REVENUES:				
From local sources -				
Property taxes	\$ 343,985	\$ -	\$ -	\$ 343,985
Interest income	-	-	47,757	47,757
Intergovernmental - State	475,526	279,220	-	754,746
Total revenues	<u>819,511</u>	<u>279,220</u>	<u>47,757</u>	<u>1,146,488</u>
EXPENDITURES:				
Current -				
Facility acquisition and construction	-	-	1,217,406	1,217,406
Debt service	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>1,217,406</u>	<u>1,217,406</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>819,511</u>	<u>279,220</u>	<u>(1,169,649)</u>	<u>(70,918)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers out	(664,043)	(279,220)		(943,263)
Total other financing sources (uses)	<u>(664,043)</u>	<u>(279,220)</u>	<u>-</u>	<u>(943,263)</u>
NET CHANGE IN FUND BALANCE	155,468	-	(1,169,649)	(1,014,181)
FUND BALANCE JUNE 30, 2004	<u>282,614</u>	<u>-</u>	<u>1,415,096</u>	<u>1,697,710</u>
FUND BALANCE JUNE 30, 2005	<u>\$ 438,082</u>	<u>\$ -</u>	<u>\$ 245,447</u>	<u>\$ 683,529</u>

**GREENUP COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

DRAFT
Discussion Purposes Only

	1995 & 1997 Bond Fund	1997B Bond Fund	1998 Bond Fund	1998B Bond Fund	2001 Bond Fund	2002 Bond Fund	2003 Bond Fund	Totals Debt Service Fund
ASSETS:								
Cash and cash equivalents	\$ 1,628	\$ 86,514	\$ 427	\$ 5,382	\$ 11,495	\$ 133	\$ 165	\$ 105,744
Accounts receivable	-	-	-	-	-	-	-	-
Total assets	<u>\$ 1,628</u>	<u>\$ 86,514</u>	<u>\$ 427</u>	<u>\$ 5,382</u>	<u>\$ 11,495</u>	<u>\$ 133</u>	<u>\$ 165</u>	<u>\$ 105,744</u>
LIABILITIES AND FUND BALANCE:								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:								
Unreserved	1,628	86,514	427	5,382	11,495	133	165	105,744
Total fund balance	<u>1,628</u>	<u>86,514</u>	<u>427</u>	<u>5,382</u>	<u>11,495</u>	<u>133</u>	<u>165</u>	<u>105,744</u>
Total liabilities and fund balances	<u>\$ 1,628</u>	<u>\$ 86,514</u>	<u>\$ 427</u>	<u>\$ 5,382</u>	<u>\$ 11,495</u>	<u>\$ 133</u>	<u>\$ 165</u>	<u>\$ 105,744</u>

**GREENUP COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

DRAFT
Discussion Purposes Only

	1995 & 1997 Bond Fund	1997B Bond Fund	1998 Bond Fund	1998B Bond Fund	2001 Bond Fund	2002 Bond Fund	2003 Bond Fund	Totals Debt Service Fund
REVENUES:								
Intergovernmental - State	\$ 372,770	\$ 370,990	\$ 44,202	\$ 109,498	\$ 65,278	\$ 2,885,352	\$ 52,269	\$ 3,900,359
Interest income	149	1,515	1,457	165	478	44	103	3,911
Total revenues	<u>372,919</u>	<u>372,505</u>	<u>45,659</u>	<u>109,663</u>	<u>65,756</u>	<u>2,885,396</u>	<u>52,372</u>	<u>3,904,270</u>
EXPENDITURES:								
Debt service	481,225	370,990	214,570	174,155	460,540	2,940,774	202,819	4,845,073
Total expenditures	<u>481,225</u>	<u>370,990</u>	<u>214,570</u>	<u>174,155</u>	<u>460,540</u>	<u>2,940,774</u>	<u>202,819</u>	<u>4,845,073</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(108,307)</u>	<u>1,516</u>	<u>(168,911)</u>	<u>(64,492)</u>	<u>(394,784)</u>	<u>(55,378)</u>	<u>(150,447)</u>	<u>(940,803)</u>
OTHER FINANCING SOURCES (USES):								
Operating transfers in	108,455	-	168,918	64,657	395,262	55,421	150,550	943,263
Total other financing sources (uses)	<u>108,455</u>	<u>-</u>	<u>168,918</u>	<u>64,657</u>	<u>395,262</u>	<u>55,421</u>	<u>150,550</u>	<u>943,263</u>
NET CHANGE IN FUND BALANCE	148	1,516	7	165	478	43	103	2,460
FUND BALANCE JUNE 30, 2004	<u>1,480</u>	<u>84,998</u>	<u>420</u>	<u>5,217</u>	<u>11,017</u>	<u>90</u>	<u>62</u>	<u>103,284</u>
FUND BALANCE JUNE 30, 2005	<u>\$ 1,628</u>	<u>\$ 86,514</u>	<u>\$ 427</u>	<u>\$ 5,382</u>	<u>\$ 11,495</u>	<u>\$ 133</u>	<u>\$ 165</u>	<u>\$ 105,744</u>

GREENUP COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

DRAFT
Discussion Purposes Only

	Cash Balance June 30, 2004	Receipts	Disbursements	Cash Balance June 30, 2005	Accounts Receivable	Accounts Payable	Deposits Held in Custody for Students June 30, 2005
Greenup County High School	\$ 26,401	\$ 168,674	\$ 163,815	\$ 31,260	\$ 431	\$ 3,113	\$ 28,578
McKell Middle School	20,855	59,704	52,452	28,107	-	839	27,268
Wurtland Middle School	7,585	48,836	43,769	12,652	-	165	12,487
Argillite Elementary	16,567	32,617	28,360	20,824	1,109	838	21,095
Greysbranch Elementary	14,856	48,616	44,389	19,083	-	367	18,716
McKell Elementary	21,556	69,456	63,971	27,041	-	1,215	25,826
Wurtland Elementary	2,413	30,209	29,222	3,400	1,234	-	4,634
Special Education - CBI	685	4,969	5,469	185	-	-	185
	<u>\$ 110,918</u>	<u>\$ 463,081</u>	<u>\$ 431,447</u>	<u>\$ 142,552</u>	<u>\$ 2,774</u>	<u>\$ 6,537</u>	<u>\$ 138,789</u>

**GREENUP COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS
GREENUP COUNTY HIGH SCHOOL
FOR THE YEAR ENDED JUNE 30, 2005**

DRAFT
Discussion Purposes Only

	Cash Balance June 30, 2004	Receipts	Disburse- ment	Cash Balance June 30, 2005	Accounts Receivable (Accounts Payable)	Deposits Held in Custody for Students June 30, 2005
General Account	\$ 36	\$ 3,347	\$ 3,275	\$ 108	\$ 140	\$ 248
Football	-	26,695	26,695	-	-	-
Boys Basketball	-	20,898	20,898	-	-	-
Girls Basketball	-	9,685	9,685	-	-	-
Baseball	-	3,568	3,568	-	-	-
Cross Country/Track	-	720	720	-	-	-
Girls Softball	-	3,638	3,638	-	-	-
Boys Soccer	-	2,121	2,121	-	-	-
Girls Soccer	-	1,450	1,450	-	-	-
Boys Golf	-	750	750	-	-	-
Girls Golf	-	1,952	1,952	-	-	-
Volleyball	-	1,795	1,795	-	-	-
Boys Track	-	557	557	-	-	-
Girls Track	-	262	262	-	-	-
Tennis	-	489	489	-	-	-
General Athletics	3,803	6,287	9,840	250	(162)	88
Attendance Incentive	-	750	41	709	-	709
FFA	81	-	-	81	-	81
Chorus	93	-	-	93	-	93
Beta Club	1,120	8,538	7,795	1,863	-	1,863
Drama	963	-	-	963	-	963
Textbooks	413	18,223	12,061	6,575	(390)	6,185
ROTC	1,518	13,734	13,104	2,148	-	2,148
Close Up Foundation	425	-	-	425	-	425
Pop Machine	444	9,325	9,054	715	122	837
Student Council	111	-	-	111	-	111
Battle of Classes	-	1,137	416	721	(236)	485
Seniors	-	1,470	1,470	-	-	-
Juniors	349	7,339	7,090	598	(74)	524
Pep Club	336	-	-	336	-	336
Technology	-	77	-	77	-	77
Art	80	595	645	30	-	30
Industrial Tech	-	994	735	259	-	259
English	34	-	-	34	-	34
Yearbook	5,551	4,347	739	9,159	-	9,159
Flower Fund	5	-	-	5	-	5
Teacher Pop	365	1,229	1,267	327	-	327
Scholarship	2,070	2,200	2,000	2,270	(2,200)	70
FCA	199	364	425	138	-	138
Lynn Miller	70	94	133	31	-	31
Spanish trip	306	1,306	1,320	292	-	292
Uniform	7,577	10,785	15,844	2,518	-	2,518
Cont. Acct.	398	1,477	1,790	85	118	203
Athletic Tr.	54	476	191	339	-	339
	<u>\$ 26,401</u>	<u>\$ 168,674</u>	<u>\$ 163,815</u>	<u>\$ 31,260</u>	<u>\$ (2,682)</u>	<u>\$ 28,578</u>

**GREENUP COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
U.S. Department of Education				
Passed through State Department of Education:				
Title I	84.010	0351-05-01	903,100	711,009
Title I	84.010	0351-04-01	902,150	145,464
Migrant Education	84.011	0352-01-03	55,995	1,149
Migrant Education	84.011	0352-03-03	52,360	7,000
Migrant Education	84.011	0352-05-03	32,544	16,633
21st Century Community Learning Centers	84.287	0744-05-03	150,000	53,652
21st Century Community Learning Centers	84.287	0744-04-03	150,000	134,213
21st Century Community Learning Centers-McKell	84.287	0744-05-03	150,000	66,082
Technology Literacy Challenge	84.318	0736-04-02	25,086	7,376
Technology Literacy Challenge	84.318	0736-05-02	24,243	24,243
NCLB Title VI	84.298	0533-04-02	22,649	13,797
NCLB Title VI	84.298	0533-05-02	15,486	14,179
IDEA, Part B	84.027	0581-04-02	554,580	105,572
IDEA, Part B	84.027	0581-05-02	615,807	551,957
Title II, Teacher Quality	84.367	0710-05-02	248,912	214,576
Title II, Teacher Quality	84.367	0710-04-02	251,958	65,755
Basic Title I, Part C	84.048	5462-05-32	25,860	25,837
Drug-Free Schools and Communities	84.186	0590-04-02	26,777	20,325
Homeless Child	84.196	0730-04-00	55,000	12,853
Homeless Child	84.196	0730-05-00	58,000	40,734
Homeless Child	84.196	0730-03-00	61,000	559
IDEA B - Preschool	84.173	0587-05-02	32,259	20,750
IDEA B - Preschool	84.173	0587-04-02	32,353	11,431
Total U.S. Department of Education				<u>2,265,146</u>
U.S. Department of Defense				
Direct Program:				
ROTC	12.630	-	-	44,667
Total U.S. Department of Defense				<u>44,667</u>
Passed through State Department of Education:				
National School Lunch Program	10.555	0575-04-02	-	177,126
National School Lunch Program	10.555	0575-05-02	-	495,080
National School Summer Meal Reimbursement	10.559	0574-04-23	-	29,579
National School Summer Meal Reimbursement	10.559	0569-04-24	-	3,101
National School Breakfast Program	10.553	0576-04-05	-	57,324
National School Breakfast Program	10.553	0576-05-05	-	180,093
				<u>942,303</u>
Passed through State Department of Agriculture:				
Commodities Program	10.569	-	-	69,933
Total U.S. Department of Agriculture				<u>1,012,236</u>
Total Federal Assistance				<u>\$ 3,038,973</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the activity of the District's federal award programs presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2005, the organization had total commodities inventory of \$17,421.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Kentucky State Committee for
School District Audits
Members of the Board of Education
Greenup County School District
Greenup, Kentucky

We have audited the basic financial statements of the Greenup County School District (District) as of and for the year ended June 30, 2005, and have issued our report thereon dated August 11, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I to the *Independent Auditor's Contract-General Audit Requirements*, Appendix II to the *Independent Auditor's Contract-State Audit Requirements* and Appendix III to the *Independent Auditor's Contract-Electronic Submission*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions that are also considered material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving internal control that we have reported to management of the Greenup County School District in a separate letter dated August 11, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of

financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board and management of the District, the Kentucky Department of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

August 11, 2005

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

Kentucky State Committee for
School District Audits
Members of the Board of Education
Greenup County School District
Greenup, Kentucky

Compliance

We have audited the compliance of the Greenup County School District (District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the

District's internal control over compliance with requirements that could have a discussion and purpose only effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board and management of the District, the Kentucky Department of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

August 11, 2005

GREENUP COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

DRAFT
Discussion Purposes Only

A. SUMMARY OF AUDIT RESULTS

1. An unqualified opinion was issued on the basic financial statements.
2. The audit of the basic financial statements of Greenup County School District as of and for the year ended June 30, 2005, did not disclose any reportable conditions.
3. The audit did not disclose any noncompliance which is material to the basic financial statements of the Greenup County School District as of and for the year ended June 30, 2005.
4. There were no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance over major programs.
6. The audit did not disclose any audit findings and questioned costs related to federal awards for the year ended June 30, 2005.
7. The programs tested as major programs included: National School Lunch Program CFDA #10.555, #10.559, and #10.553, Title I CFDA #84.010, IDEA-B Cluster CFDA #84.027 and #84.173.
8. The dollar threshold used for distinguishing Types A and B programs was \$300,000.
9. The Greenup County School District did not qualify as a low-risk auditee under OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

B. FINDINGS RELATING TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

None

C. FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None

**GREENUP COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

DRAFT
Discussion Purposes Only

None in the prior year.

GREENUP COUNTY SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2005

DRAFT

Discussion Purposes Only

NAME OF CONTACT PERSON

John F. Younce

(606) 473-9819

CORRECTIVE ACTION PLANNED

No corrective action plan needed in the current year.

Kentucky State Committee for School District Audits
Members of the Board of Education
Greenup County School District
Greenup, Kentucky

In planning and performing our audit of the financial statements of Greenup County School District (the "District") for the year ended June 30, 2005, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated August 11, 2005, contains our report on internal control over financial reporting which disclosed no internal control related matters which were considered to be material weaknesses. This letter does not affect our report dated August 11, 2005, on the financial statements of the District.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

August 11, 2005

GREENUP COUNTY SCHOOL DISTRICT

MANAGEMENT LETTER POINTS

FOR THE YEAR ENDED JUNE 30, 2005

DRAFT

Discussion Purposes Only

ATHLETIC RECEIPTS

We noted several instances where the "Requisition and Report of Ticket Sales" for athletic gate receipts was not properly completed. The change returned was left off in most instances and in one instance the reconciliation of ticket numbers was omitted. We recommend that all individuals involved with athletic gate receipts receive additional training on the Kentucky Board of Education's "Uniform Program of Accounting for School Activity Funds in Kentucky Schools" (Red Book).

Management Response